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1991/11/13

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EAP/CM:R R WINSHIP:RRW
11/13/91 647-6796 SECMEC 8042
EAP/FO:L D ANDERSON

EAP/CM:R X TAYLOR (EAP)

PRIORITY BEIJING

ROUTINE GUANGZHOU, HONG KONG, SHANGHAI, SHENYANG

BEIJING ALSO POUCH CHENGDU

E.O. 12356: N/A

TAGS: ETTT, ETRD, CH, US

SUBJECT: CHINESE DEMARCHE ON LICENSING PROVISIONS OF
EXPORT ADMINISTRATION BILL

LDA
RRW
RXT

1. ON NOVEMBER 13, PRC CHARGE D'AFFAIRES ZHAO XIXIN DELIVERED A DEMARCHE TO ACTING ASSISTANT SECRETARY DESAIX ANDERSON EXPRESSING CONCERN OVER PROVISIONS IN THE OMNIBUS EXPORT AMENDMENTS ACT PASSED BY THE HOUSE ON OCTOBER 30. THE DEMARCHE FOCUSED ENTIRELY ON EXPORT LICENSING PROVISIONS IN THE BILL, AND PARTICULARLY ON THE BAN WITHOUT WAIVER ON LICENSES FOR EXPORT OF U.S.-ORIGIN SATELLITES FOR LAUNCH ON PRC-OWNED LAUNCH VEHICLES. WHILE THE DEMARCHE WAS FAIRLY STRONGLY WORDED, ZHAO CONTENTED HIMSELF WITH READING THE TEXT WITHOUT COMMENT. SURPRISINGLY, HE DID NOT RAISE TITLE IV OF THE BILL, WHICH WOULD ESTABLISH A SET OF HUMAN RIGHTS PRINCIPLES FOR U.S. FIRMS OPERATING IN CHINA (THE "MILLER PRINCIPLES").

2. ACTING A/S ANDERSON REPLIED THAT THE DEPARTMENT WAS STUDYING THE BILL AND WOULD PROVIDE A FORMAL REPLY. HE ADDED THAT WE HOPED THAT THE SECRETARY'S VISIT WOULD RESULT IN A CHANGE IN THE ATMOSPHERE OF RELATIONS BUT CAUTIONED THAT THE OUTCOME OF THE VISIT WAS IN CHINA'S

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Office of FOI, Privacy, & Classification Review
Review Authority: MILLER, ROBERT
Date: 07/17/96
Case ID: 9402759

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HANDS. ZHAO WAS NONCOMMITTAL WHEN ASKED IF THE MOU ON PRISON LABOR EXPORT INVESTIGATIONS WOULD BE READY FOR SIGNING DURING THE VISIT.

3. TEXT OF THE DEMARCHE FOLLOWS:

ON OCTOBER 30, THE U.S. HOUSE OF REPRESENTATIVES PASSED THE "OMNIBUS EXPORT AMENDMENTS ACT OF 1991", WHICH STIPULATES, AMONG OTHER THINGS, THAT EXPORT LICENSING PREFERENCES IN FAVOR OF HIGH TECHNOLOGY EXPORT TO CHINA SHOULD BE ELIMINATED, CHINA'S ACCESS TO DUAL-USE GOODS AND TECHNOLOGY SHOULD BE RESTRICTED, AND NO SATELLITE OF U.S. ORIGIN THAT IS INTENDED FOR LAUNCH FROM A LAUNCH VEHICLE OWNED BY CHINA MAY BE EXPORTED FROM THE UNITED STATES. THE CHINESE GOVERNMENT EXPRESSES HEREBY ITS GRAVE CONCERN OVER THIS BILL. AS WE ALL KNOW, CHINA-U.S. TRADE IS BASED ON MUTUAL BENEFIT. THE TRANSFER OF HIGH TECHNOLOGY FROM THE UNITED STATES TO CHINA HAS PLAYED A POSITIVE ROLE IN PROMOTING TRADE BETWEEN THE TWO COUNTRIES AND ESPECIALLY U.S. EXPORT TO CHINA. THE CHINESE SIDE HAS ALL ALONG TAKEN STRICT MEASURES IN HANDLING THE DUAL-USE GOODS AND TECHNOLOGY IMPORTED FROM THE UNITED STATES AND HONORED ITS COMMITMENTS WITH REGARD TO END-USERS AND ULTIMATE PURPOSE.

THE HOUSE CALLED FOR CHINA TO INCREASE IMPORT FROM THE UNITED STATES ON THE ONE HAND, POLITICIZED THE TRADE ISSUES AND ERECTED LEGISLATIVE OBSTACLES TO CHINA-U.S. TRADE ON THE OTHER. THE BAN IMPOSED BY THE BILL ON EXPORTING U.S. SATELLITES FOR LAUNCH FROM A LAUNCH VEHICLE OWNED BY CHINA IS IN ESSENCE TANTAMOUNT TO TEARING UP THE MEMORANDUM OF AGREEMENT BETWEEN CHINA AND THE UNITED STATES REGARDING INTERNATIONAL TRADE IN COMMERCIAL LAUNCH SERVICES. THIS IS ABSOLUTELY UNACCEPTABLE TO THE CHINESE SIDE. WE ASK THE U.S. SIDE TO TAKE EFFECTIVE MEASURES TO PREVENT THE PASSAGE OF THE ABOVE-MENTIONED BILL, SO AS TO AVOID ITS HARMFUL CONSEQUENCES TO CHINA-U.S. TRADE AND ECONOMIC RELATIONS AND THE COOPERATION BETWEEN THE TWO COUNTRIES ON MAJOR INTERNATIONAL ISSUES.

END TEXT.

DECONTROL ON 11/13/95 YY

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